

Amendment No. 1 to SB3427

Henry  
Signature of Sponsor

**AMEND Senate Bill No. 3427\***

**House Bill No. 3529**

**FILED**

Date \_\_\_\_\_

Time \_\_\_\_\_

Clerk \_\_\_\_\_

Comm. Amdt. \_\_\_\_\_

by inserting between the caption and the enacting clause the following language:

WHEREAS, in March 2002, Congress passed the federal Job Creation and Worker Assistance Act of 2002 (JCWAA) which allowed taxpayers to take additional first-year or “bonus” depreciation in the amount of 30% of the adjusted basis of qualified property provided that future depreciation expenses related to such property were reduced by 30%; and

WHEREAS, the “bonus” depreciation permitted under the JCWAA decreased federal taxable income in certain years and increased federal taxable income in other years; and

WHEREAS, the JCWAA of 2002 created unexpected fiscal issues for Tennessee and other states by unexpectedly shifting federal taxable income between fiscal periods; and

WHEREAS, the ability to accurately forecast state revenues and provide a predictable revenue stream are vital components in assuring a state’s fiscal prosperity; and

WHEREAS, the General Assembly joined 30 sister states in seeking to limit fiscal uncertainty by enacting legislation in 2002 to decouple from federal accelerated depreciation for purposes of Tennessee’s excise tax; and

WHEREAS, Chapter 856 of the Public Acts of 2002 permanently decoupled Tennessee from federal accelerated depreciation with respect to Tennessee Code Annotated, Section 67-4-2006(b)(2)(I) but not Tennessee Code Annotated, Section 67-4-2006(b)(1)(H); and

WHEREAS, recent actions by the federal government to allow additional accelerated depreciation for federal tax purposes combined with Tennessee’s unintended failure to permanently decouple from federal depreciation with respect to Tennessee Code Annotated, Section 67-4-2006(b)(1)(H) have led to unintended state tax consequences that erode the state’s current tax base; and

WHEREAS, the General Assembly desires to clarify its intentions relative to its intent to permanently decouple from federal accelerated depreciation; now therefore,

AND FURTHER AMEND by deleting all of the language after the enacting clause and substituting instead the following:

**SECTION 1.** Tennessee Code Annotated, Section 67-4-2006(b)(1), is amended by deleting the language in subsection (H) in its entirety and substituting instead the following:

(H) Any depreciation which the taxpayer deducted in computing its federal taxable income in excess of that which the taxpayer could have deducted in computing such income if the taxpayer had computed its depreciation under the provisions of § 168 of the Internal Revenue Code as it existed and applied immediately prior to the passage of title 1, § 101, of the Job Creation and Worker Assistance Act of 2002;

**SECTION 2.** This act shall take effect upon becoming a law and apply to tax years ending on or after July 15, 2002, the public welfare requiring it.